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SUBJECT: GUANGZHOU GOVERNMENT CORRUPTION - HARD TO SEE, EVEN HARDER  
TO STOP

Reftel A: Guangzhou 0158

¶1. (SBU) SUMMARY: A team of China researchers estimates that corruption has cost the Chinese economy about RMB 3 billion (USD 420 million) each year between 1980 to 2002, and private sector contacts say the problem is "absolutely endemic" in Guangzhou. There have been some high-profile convictions of government officials for corruption, and local officials tout new measures designed to address the problem, including an innovative program that solicits public comment on the performance of government officials. However, the attitude of many scholars toward corruption-- rationalizing and excusing it--indicates that the situation is not likely to improve any time soon. END SUMMARY.

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OFFICIAL CORRUPTION: HOW BAD IS IT?  
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¶2. (SBU) Reliable data on corruption in China is extremely hard to come by, according to Ni Xing, professor at Sun-Yat Sen University and author of three books and over 60 articles on the subject. Like other scholars, Ni gets his statistics from various outlets, which include official sources--such as the yearly work reports issued by the People's Supreme Court and the CCP Disciplinary Committee--and unofficial ones, particularly the media. Ni's research team estimates, based on figures released by the government, that between 1980 and 2002 corruption cost the Chinese economy about RMB 3 billion per year. But Ni also commented that most government statistics are both unreliable and out of date. He said fewer than 10 percent of corrupt officials are caught or punished. He told us he personally believes the actual incidence of corruption--and its cost to society--is far higher than what is officially reported.

¶3. (SBU) In addition to raising the cost of conducting private business in China, corruption contributes to widespread fiscal mismanagement. A private sector contact told us the corruption in Guangzhou government agencies is "absolutely endemic," commenting that "if you don't pay, nothing happens." This includes everything from getting needed licenses and approvals to government inspections of equipment or facilities. One foreign company that needed to have its factory inspected every month paid a government inspector, whose salary was RMB 1,500 (USD 214) per month, a "gift" of RMB 4,000 each time he visited. Eventually, the price of the gift rose to RMB 17,000 per month. Foreign businessmen in China talk about having to give lavish gifts--including a new car, in one case--to government contacts at Chinese New Year. The local businessman described a road project that should have cost RMB 3 million (USD 428,000) eventually going to tender at RMB 20 million (USD 2.85 million), and a waste treatment plant that should have cost RMB 60 million eventually costing RMB 250 million. On one project near Guangzhou, this source said, a contractor dug up a brand-new road and repaved it at a cost

of RMB 20 million to 30 million. This was because his "guanxi," or relationships, were in the government bureau in charge of roadways, and they had money left in their budget. Meanwhile, several nearby roads went unpaved. This source estimated that the extra cost of doing business in China as a result of corruption added 0.5 percent to 1 percent to the country's inflation rate.

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Who's Getting Caught?  
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¶4. (SBU) However, not everyone gets away with it. Last year, the former director of the Guangzhou Center for Disease Control and Prevention was sentenced to life in prison for taking RMB 11 million (USD 1.6 million) in bribes. In a recent high-profile case, two directors of the Guangzhou Government Procurement Center were charged with taking bribes and abusing power. One, Li Chunlu, was sentenced to seven years in prison. The other, Zhang Yiquan, went to trial on March 5, 2008. And in early 2008, the general manager of a state-owned company in Liuzhou, Guangxi confessed to taking bribes and implicated 95 other people, most of whom were director or director-general rank. All these officials were caught up in an effort on the part of south China government officials to deal with corruption concerns; in 2007, the Guangdong Disciplinary Commission filed a total of 3,981 corruption-related cases, according to a recent national government report. Of these, 22 involved officials at director-general rank, and 214 involved officials at director rank. Some 210 cases involved more than RMB 1 million (USD 143,000). The report indicated that 3,760 cases were "properly handled" and then closed, and 3,921 people were punished "according to the law and party discipline." The announcement gave no details about the punishment or sentences. Comment: The question remains, however, just how committed local officials are to sustaining the anti-corruption drive. Good beginnings are often just that in China,

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with focus and sustained effort flagging until another high-profile initiative is launched. End comment.

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What's the Government Doing About It?  
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¶5. (SBU) Qin Tonghai, vice director of the Guangdong CCP Disciplinary Commission, told us the provincial government is working actively to fight corruption. It created a uniform salary scale and payment system for all provincial, municipal, and county officials. It implemented budget oversight systems for 21 municipalities, connecting them to their local finance bureaus for supervision. It introduced public bidding for construction projects: in 2007, there were 8,838 public bids on a total of RMB 1 billion (about USD 143 million) in infrastructure projects, he said. The commission also began interviewing government leaders at least once a year to remind them of the anti-corruption regulations. In 2007, more than 90,000 government officials in Guangdong were interviewed by the commission.

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"American Idol" Meets Accountability  
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¶6. (SBU) In an innovative system aimed at holding officials more accountable to the public, the government of Huizhou, Guangdong, invited the public to comment on the performance of government officials. Starting in 2002, the three officials with the greatest number of negative comments were required to have special interviews with the disciplinary commission. Any official who appeared on the complaints list for two years in a row would lose his job. This system has now been expanded to Zhuhai, Zhanjiang, and Chaozhou, Qin said. He proudly noted that Transparency International's 2007 Corruption Perception Index rated China at 3.5 (10 is the least corrupt), an improvement from the country's 1995 rating of 2.16. Qin claimed China has made the greatest progress of any country in the world in fighting corruption. He cited a 2007 survey conducted by the National Statistics Bureau in which 85.4 percent of respondents in Guangdong province said they were satisfied with the government's

anti-corruption efforts, an increase of 8.8 percentage points from 2006.

17. (SBU) Guangzhou's municipal government is also actively promoting government transparency (ref. A) in order to reduce corruption. Dr. Peng Peng of the government-funded think tank Guangzhou Academy of Social Science said the Guangzhou local government set up an official website in 2005 (<http://www.gd.gov.cn/>) that makes government documents and information available online. It also created an "electronic mailbox" where citizens can get email alerts from the government and started a telephone hotline that directs citizens to different government bureaus. The hotline phone number (12345) is easy to remember, and connects callers to a local official who can assist them. Guangzhou officials are very proud of this service; they have rounded up local leaders and district heads to take shifts answering the phone. Experts and officials told us that these efforts to increase transparency and make government more accountable are aimed at reducing the instances of official corruption.

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Making Excuses  
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18. (SBU) Despite the government's outwardly tough stance against corruption, south China officials and academics spend a lot of time making excuses for it. Professor Ni told us many academics are coming to believe that China cannot avoid corruption at this period in its history. From imperial times through China's socialist planned economy to the present day, paying off officials has often been the only way to get anything done, our sources said. As traditional and modern ideas converge in today's China, ambiguity over values--and shifting ideas of right and wrong--leave room for corruption to take place. Ni argued that, in many cases, corrupt officials are not committing premeditated crimes, but taking advantage of incompetence or lack of oversight. Peng agreed, saying that because many government officials have limited management experience and little or no capacity to track funds, money can get easily get "lost" or misappropriated. As China's officials become more professional and accountability systems improve, this type of "opportunistic" corruption should decrease, according to Peng.

19. (SBU) Further rationalizing, Peng said the CCP Disciplinary Committee is in a delicate position. On one hand, the committee needs to show the public that its anti-corruption campaign is

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working, preferably by catching and convicting corrupt officials. On the other hand, he said, the committee risks offending leaders--and stirring public anger to the point of political instability--if it exposes too much corruption in the system. Peng explained that while Americans might see convictions resulting from the committee's work as signs of its effectiveness, Chinese see politicians convicted of corruption and think the whole system is rotten. Seeing wrongdoers get punished only makes them lose faith in the system, he said.

110. (SBU) Some south China academics put a positive spin on corruption, saying that most Chinese are used to this way of doing things and see it as a necessary evil in their quest for economic development. Peng said many Chinese think of it as an either-or choice: honest officials and desperately poor people (as under Mao Zedong), or corrupt officials in a system where everyone is getting richer. There's no question which one Chinese would choose, he said. Ni said that some economists even believe corruption is good for China's economy, because without it things would not get done. He told us many experts consider corruption to be like a cancerous tumor--it's bad, but at least you know it's there. If you remove it, something worse could take its place. Comment: Congenoff chose not to point out that a cancerous tumor will very often kill you if you don't get rid of it. The apologist attitudes of south China academics toward corruption often reflect complacency and resignation, and indicate the situation is highly unlikely to improve much in the near future. End comment.